

Required Supplementary Stewardship Information Table of Contents

10.1 General
10.2 Stewardship Property, Plant and Equipment
10.2A Heritage Assets
10.2B National Defense PP&E
10.2C Stewardship Land
10.2D Summary of Minimum Reporting Requirements
10.3 Stewardship Investments
10.3A Non-Federal Physical Property
10.3B Human Capital
10.3C Research and Development
10.3D Summary of Minimum Reporting Requirements
10.4 Stewardship Responsibilities
10.4A Risk Assumed Information
10.4B Social Insurance

10.1 General

The stewardship objective of Federal financial reporting requires the Federal Government to report on its stewardship over certain resources entrusted to it and certain responsibilities assumed by it that cannot be measured in traditional financial reports. These resources and responsibilities do not meet the criteria for assets and liabilities that are required to be reported in the financial statements but are important to understanding the operations and financial condition of the Federal Government at the date of the financial statements and in subsequent periods.

Stewardship resources involve substantial investment by the Federal Government for the benefit of the Nation. Costs of stewardship-type resources are treated as expenses in the financial statements in the year the costs are incurred. However, these costs and resultant resources are intended to provide long-term benefits to the public and are included as required supplementary stewardship reporting to highlight for the user their long-term-benefit nature and to demonstrate accountability over them. Depending on the nature of the resources, stewardship reporting could consist of financial or nonfinancial data.

To achieve the objectives of required supplementary stewardship information (RSSI) reporting, resources and responsibilities for which the Federal Government is accountable have been categorized into three distinct groups and measures of accountability established for each. The three major groups are as follows:

Form and Content of Agency Financial Statements **Section 10 - Required Supplementary Stewardship Information**

- Stewardship Property, Plant and Equipment (PP&E)
- Stewardship Investments
- Responsibilities

Reporting requirements for financial and non-financial data have been defined so that the unique characteristics of stewardship can be displayed. Entities should make the determination of how best to apply the stewardship standards based on a thorough analysis of their individual entity, including its mission, financial practices, and the impact of its mission and operations on financial report users and on the Nation. All entity determinations of the applicability of stewardship standards should be thoroughly documented.

Information on stewardship definitions, measurement, minimum reporting and implementation guidance can be found in SFFAS Nos. 5, 6, 8, 11, 14, 16, and 17.

10.2 Stewardship Property, Plant and Equipment

Stewardship PP&E consists of assets whose physical properties resemble those of general PP&E that are traditionally capitalized in financial statements. However, due to the nature of these assets, (1) valuation would be difficult and (2) matching costs with specific periods would not be meaningful. Yet, the Federal Government should be able to demonstrate accountability over these assets by reporting on their existence and condition. Stewardship PP&E includes:

- Heritage assets, such as Federal monuments and memorials and historically or culturally significant property.
- National Defense PP&E, such as military weapons systems.
- Stewardship land. e.g., land not acquired for or in connection with general PP&E.

10.2A Heritage Assets

Heritage assets are unique and are generally expected to be preserved indefinitely. Heritage assets may be unique because they have historical or natural significance, are of cultural, educational or artistic importance, or have significant architectural characteristics. These assets shall be reported in terms of physical units rather than cost, fair value, or other monetary values. No amount shall be shown on the balance sheet of Federal financial statements for heritage assets, except for multi-use heritage assets in which the predominant use of the asset is in general government operations. The costs of acquisition, betterment, or reconstruction of multi-use heritage assets shall be capitalized as general PP&E and depreciated, with required supplementary stewardship information providing the physical quantity information for the multi-use heritage assets. The costs

**Form and Content of Agency Financial Statements
Information****Section 10 - Required Supplementary Stewardship**

of acquiring, constructing, improving, reconstructing, or renovating heritage assets, other than multi-use, shall be considered an expense in the period incurred when determining the net cost of operations.

10.2B National Defense PP&E

National Defense PP&E are (1) the PP&E components of weapons systems and related PP&E owned by the Department of Defense or its component entities for use in the performance of military missions, and (2) vessels held in a preservation status by the Maritime Administration's National Defense Reserve Fleet. These assets should be valued and reported using either the total cost or the latest acquisition cost valuation method. Once values are established, consistent application is required and any change shall be justified. No amount shall be shown on the balance sheet for National Defense PP&E. The acquisition cost of National Defense PP&E shall be considered an expense in determining the net cost of operations in the period acquired.

10.2C Stewardship Land

Stewardship land is land not acquired for or in connection with items of general PP&E. Land is defined as the solid surface of the earth, excluding natural resources. These assets shall be reported in terms of physical units rather than cost, fair value, or other monetary values. No asset amount shall be shown on the balance sheet of Federal financial statements for stewardship land. The acquisition cost of stewardship land shall be considered an expense in the period acquired when determining the net cost of operations.

10.2D Summary of Minimum Stewardship Reporting Requirements

The following table summarizes the minimum stewardship reporting required for heritage assets, National Defense PP&E, and stewardship land.

INFORMATION REPORTED	HERITAGE ASSETS	NATIONAL DEFENSE PP&E	STEWARDSHIP LAND
1. Description of Asset	Describe each major category: 1. Collectible 2. Noncollectible	Describe major types and values assigned by valuation method.	Describe, by principle organization, significant holding by category of major use.
2. Description of acquisitions and withdrawals.	Describe methods of acquisition and withdrawals.	Describe methods of acquisition and withdrawals.	Describe methods of acquisition and withdrawals

Form and Content of Agency Financial Statements **Section 10 - Required Supplementary Stewardship Information**

3. Accounting for physical items or dollars	Account for physical units by major category: Beginning Balance Additions Withdrawals Ending Balance	Account for value by major type: Beginning Value, Value added (shall agree with amount on the Statement of Net Cost) Value withdrawn Change in value from revaluations Ending value	Account for physical units by major category: Beginning Balance Additions Withdrawals Ending Balance
4. Condition description	Describe overall condition.	Describe overall condition.	Describe overall condition.
5. Deferred Maintenance	Reference information on deferred maintenance included elsewhere in the report, if required.	Reference information on deferred maintenance included elsewhere in the report, if required.	Reference information on deferred maintenance included elsewhere in the report, if required.
6. Presentation of financial information	Reference principal statements for financial information on multi-use hertiage assets.	Not applicable.	Not applicable.

10.3 Stewardship Investments

Stewardship investments are substantial investments made by the Federal Government for the benefit of the nation but are not physical assets owned by the Federal Government. When incurred, they are treated as expenses in determining the net cost of operations. However, these items merit special treatment so that users of Federal financial reports know the extent of investments that are made for long-term benefit.

Such investments should be measured in terms of expenses incurred for: (1) federally-financed but not federally-owned physical property (Non-federal Physical Property); (2) certain education and training programs (Human Capital); and (3) federally-financed research and development (Research and Development).

10.3A Non-Federal Physical Property

Non-Federal physical property investments are expenses included in the calculation of net cost incurred by the reporting entity for the purchase, construction or major renovations of physical property owned by state and local governments. Reporting will include data, in nominal dollars, on investments for the year being reported upon and the preceding four years. Additional years data may also be reported if such data would provide a better indication of the nature of the investment.

10.3B Human Capital

Human capital investments are expenses included in net cost for education and training programs that are intended to: (1) increase or maintain national economic productive capacity, and that (2) produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity. The definition excludes education and training expenses for Federal civilian and military personnel. Reporting will include data, in nominal dollars, on investment for the year being reported upon and the preceding four years. Additional years' data may also be reported if such data would provide a better indication of the investment.

Continued categorization of human capital expenses as investment for stewardship purposes is predicated on demonstrated outputs and outcomes consistent with the intent of the program. SFFAS No.8 describes the criteria which shall be met for these expenses to continue to be categorized as stewardship investments. Outcome and output measures that are used to justify continued treatment of expenses as stewardship investments should be clearly identified in the agency's financial statement, and the relationship of the outcomes and outputs to the stewardship investments should be readily apparent.

10.3C Research and Development

Research and development investments are expenses included in the calculation of net costs to support the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes, with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. Reporting will include data, in nominal dollars, on investment for the year being reported upon and the preceding four years. Additional years' data may also be reported if such data would provide a better indication of the investment.

Continued categorization of research and development expenses as investment for stewardship purposes is predicated on demonstrated outputs and outcomes consistent with the intent of the program. SFFAS No.8 describes the criteria which shall be met for these expenses to continue to be categorized as stewardship investments. Outcome and output measures that are used to justify

Form and Content of Agency Financial Statements **Section 10 - Required Supplementary Stewardship Information**

continued treatment of expenses as stewardship investments should be clearly identified in the agency's financial statement, and the relationship of the outcomes and outputs to the stewardship investments should be readily apparent.

10.3D Summary of Minimum Reporting Requirements

The following table summarizes the minimum reporting required for non-Federal property', human capital, and research and development.

INFORMATION REPORTED	NON-FEDERAL PROPERTY	HUMAN CAPITAL	RESEARCH AND DEVELOPMENT
1. Annual investment by category or level*	Include full cost of the investment made for the current year, including description of Federal property transferred to state and local governments, and the preceding 4 years. Report additional years of data if it provides a better indication of investment.	Include full cost of the investment made for the current year and the preceding 4 years. Report additional years of data if it provides a better indication of investment.	Include full cost of the investment made for The current year and The preceding 4 years. Report additional years of data if it provides a better indication of investment.
2. Description of major programs	Describe major programs involving Federal investments, including description of programs or policies under which non-cash assets are transferred to state and local governments.	Describe major education and training programs considered Federal investments.	Describe major research and development programs.

* In some cases, the information is not available because entities have maintained records on the basis of outlays rather than expenses. Agencies in this situation should continue to report historical data on an outlay basis for any years in which reporting is required and for which expense data is not available. If neither historical expense or outlay data are available for each of the five years, entities need report expense data for only the current reporting year and such other years as available. At the end of five

Form and Content of Agency Financial Statements **Section 10 - Required Supplementary Stewardship Information**

years, however, the agency will be able to report the expenses, to be categorized as investments, for each of the preceding five years.

Form and Content of Agency Financial Statements **Section 10 - Required Supplementary Stewardship Information**

10.4 Stewardship Responsibilities

Reporting on stewardship responsibilities aids in assessing the Federal Government's financial condition and the sufficiency of future budgetary resources to sustain public services and meet obligations as they become due. Stewardship responsibilities at the entity-level have been identified, and reporting requirements are addressed below, for:

1. Risk assumed information, and
2. Social insurance.

10.4A Risk Assumed Information

All Federal insurance and guarantee programs (except social insurance, life insurance, and loan guarantee programs) shall report, as required supplementary stewardship information, risk-assumed information. In other words, in addition to the liability for unpaid claims from insured events that have already occurred (including any contingent liability that meets criteria for recognition), such reporting entities should also report as RSSI risk assumed information.

Risk assumed is generally measured by the present value of unpaid expected losses net of associated premiums, based on the risk inherent in the insurance or guarantee coverage in force. The reporting entity shall report the amounts and periodic change in those amounts that would be reported under the risk assumed approach of the Financial Accounting Standards Board's (FASB) standards on Federal insurance and guarantee programs.

10.4B Social Insurance

Supplementary stewardship information for social insurance programs is to be reported to address fundamental questions about the current and future financial condition of these programs. These fundamental questions include whether the programs are sustainable as currently constructed and what effect these programs have on the overall financial condition of the government. Information required to be disclosed for social insurance programs is intended to facilitate an assessment of the long-term sustainability of the program as well as the ability of the program to raise resources from future program participants to pay for benefits to present participants.

Disclosure requirements for social insurance programs are discussed in summary below. Financial statement preparers and auditors should refer to SFFAS No.17 for a more detailed discussion.

Programs defined as social insurance include:

Form and Content of Agency Financial Statements **Section 10 - Required Supplementary Stewardship Information**

1. Old-Age, Survivors, and Disability Insurance (OASDI or “Social Security”);
2. Hospital Insurance (HI) and Supplementary Medical Insurance (SMI), collectively known as “Medicare”;
3. Railroad Retirement benefits;
4. Black Lung benefits; and
5. Unemployment Insurance (UI).

The RSSI information provided for each of these programs should include the following financial and actuarial disclosures:

1. Long-range cashflow projections
2. Long-range projections of the ratio of contributors to beneficiaries (“dependency ratio”)
3. Actuarial present value of future benefits, and future contributions and tax income for/from current and future beneficiaries
4. Sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the projections and present values
5. State-by-state solvency analysis for the VI program

The actuarial present value of future benefit payments, contributions and tax income for current and future participants should be summarized in a Statement of Social Insurance. The Statement of Social Insurance should cover a five-year period beginning with the current period covered in the financial statements. Financial and actuarial disclosures should be accompanied by narrative describing the program, how it is financed, how benefits are calculated, and an interpretive analysis of trends revealed by the data. Management may provide any additional information pertaining to the financial conditions of its program that it believes may be useful and appropriate. Additional information on definitions, measurement, minimum reporting and implementation guidance, as well as illustrative disclosure formats, can be found in SFFAS No.17 .